

Draft Charter
National Municipal Heating Strategy Task Force

Prepared for U.S. Agency for International Development

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Forward

This draft is an update of the June draft to incorporate the Cabinet of Ministers Decree #465 and the three Work Groups approved at the first Task Force Meeting held in June.

Draft Charter

National Municipal Heating Strategy Task Force

Introduction

On May 7, 2008 the Cabinet of Ministers issued decree number 465 that established an Interagency Task Force (Task Force) to develop a National Municipal Heating Strategy for reforming the provision of heat to the communal service sector. The reforms will encompass a range of issues that include establishing an independent regulator, structuring tariffs to reflect full costs, creating incentives for energy efficiency, providing social support to replace or offset the current heat subsidies, and licensing all district heating enterprises. The Task Force has the status of an advisory board to the Cabinet of Ministers and is comprised of governmental officials, representatives of international donor organizations, academic institutions and civic organizations. This Charter provides the structure and responsibilities of the Task Force (Attachment A provides the structure and organizational membership of the Task Force).

Task Force

The Interagency Task Force for Development of the National Heat Supply Strategy (Task Force) is an advisory body at the Cabinet of Ministers of Ukraine established to prepare a National Strategy of Heat Supply. Task Force activities are governed by the Constitution, Ukrainian laws, President's orders and decrees approved by the Verkhovna Rada, and proclamations of the Cabinet of Ministers.

Task Force responsibilities are to:

- Define the national strategy for the development of district heat
- Coordinate the preparation of regional programs for communal heat-power
- Coordinate interactions between the central executive bodies for preparation of the strategy and programs
- Monitor the implementation of the national strategy and regional programs
- Recommend and prepare policies, laws, and regulations pertaining to the reform of communal heat supply for adoption by the Cabinet of Ministers.

In fulfillment of these responsibilities, the Task Force may:

- Analyze the preparation and implementation of heat supply reform and development projects.
- Organize interactions of executive bodies with local self-government bodies, institutions, and organizations for the implementation of the strategy and heat supply projects.
- Establish temporary expert and working groups, as necessary, to involve officials and personnel of central governmental bodies, local self-government bodies, enterprises, institutions and organizations.
- Obtain information from governmental authorities, local self-government bodies, enterprises, institutions and organizations in the prescribed manner.

The Task Force meets at least twice a year¹ with meetings chaired by the Head, or First Deputy in the Head's absence. Task Force meetings are legally recognized if more than half of the members are present with decisions approved by majority vote of the members present. The Head, or the First Deputy in the Head's absence, shall cast the decisive vote in the event of a tie vote by the members. Decisions and recommendations shall be in the form of meeting minutes signed by the Head, or First Deputy in the Head's absence. Decisions and recommendations approved by the Task Force shall be reviewed by the central and local executive bodies and forwarded to the local self-government bodies, enterprises, institutions and organizations. Following review by stakeholder organization, the decisions and recommendations shall be forwarded to the Cabinet of Ministers.

The Task Force Head is responsible for managing Task Force activities to include preparation of meeting agendas and issues for consideration, approving the plan for preparation of the National Heat Supply Strategy, and communicating work requirements to the working groups.

Work Groups

Work Groups and expert panels are support and advisory bodies to the Task Force that operate under the guidance and direction of the Task Force to enable it (the Task Force) to carry out its assigned responsibilities. Work Group activities are governed by the Constitution, Ukrainian laws, President's orders and decrees approved by the Verkhovna Rada, and proclamations of the Cabinet of Ministers. It is expected that Work Group outputs will be approved by its members before transmittal to the full Task Force for consideration.

The proposed membership of the Work Groups consists of designees from the Task Force's member organizations (Attachment A), with membership in a particular Work Groups mandatory for certain organizations and voluntary for other organizations as noted in Table A.2. Relevant to the Work Groups area of responsibility, the Technical Working Groups conduct analysis, prepare position papers, recommendations, and draft legal documents of national level strategies for consideration by the Task Force.

Three current Work Groups and their areas of responsibility² are:

- Work Group 1: Development of Regional and State Programs for Rehabilitation of the Heating Sector
 - Develop policies and mechanisms that stimulate the implementation cost-effective energy use.

¹ Scheduled meetings to be held the second Thursday of April and October, with additional meetings scheduled, as necessary, through the Secretariat. The Secretariat shall be notified of the date and agenda for an un-scheduled meeting no less than 15 working days notice in advance of the meeting date.

² Each Work Group shall also consider the topic areas listed in Attachment B that are relevant to their assigned area.

- Develop policies and mechanisms that stimulate the implementation of cost-effective energy efficiency equipment and technologies.
- Coordinate the development and implementation of policies and mechanisms implemented in regional and state programs for technical rehabilitation of the heating energy sector.
- Cooperate with international organizations to develop regional and state programs for the technical rehabilitation of the heating energy sector.
- Contribute to improving the work activities of central and local executive bodies, and cooperation with NGOs for the technical rehabilitation of the heating energy sector.
- Work Group 2: Development of Energy Efficiency Improvements in Residential and Administrative Buildings
 - Develop and implement innovative technologies that enable housing and communal sector enterprises to reduce energy consumption and material resource use, and modernize infrastructure.
 - Develop and enforce programs that encourage energy efficient heating.
 - Coordinate the implementation of measures for improving the energy efficiency of residential and administrative buildings.
 - Cooperate with international organizations for the improvement of energy efficiency in residential and administrative buildings.
 - Contribute to improving the work activities of central and local executive bodies, and cooperation with NGOs for improving the energy efficiency in residential and administrative buildings.
- Work Group 3: Development of State Regulation for Public Utility Services
 - Improve state regulation of natural monopolies for public utility services.
 - Coordinate the implementation of measures for state regulation of public utility services.
 - Cooperate with international organizations for the development of state regulation of public utility services.
 - Contribute to improving the work activities of central and local executive bodies, and cooperation with NGOs for improving state regulation in the public utility services

In addition, all three Work Groups are responsible for providing inter-sectoral coordination to resolve issues related to development of the National Municipal Heating Strategy.

Additional temporary work groups or expert panels may be established as necessary to conduct analyses and/or develop information pertinent to focused topics.

In carrying out their respective activities, the Work Groups will:

- Obtain needed information, statistics, and analytical materials from state executive bodies.
- Obtain information for their assigned area from representatives of central executive organs and public organizations at the Work Group meetings.
- Participate in conferences, meetings and workshops relevant to their assigned area.
- Develop recommendations for their assigned area.

The Technical Working Groups meet at least once a month³ to assess the status of work in progress, draft documents for consideration by the Task Force, and coordinate reforms among stakeholder organizations. Work Group decisions are approved by a majority vote of members present at the meeting. The Work Group Head shall cast the deciding vote in the event of a tie vote by the members. Decisions and recommendations shall be in the form of meeting minutes signed by the Work Group Head and forwarded to the Task Force Head for review and distribution to stakeholder organizations.

Work Group members shall participate in the preparation and attendance of meetings for their respective Work Group, fulfill assignments in a timely manner, provide regular reports on their assigned activities, share information on assigned area with other Work Group members and external organizations, and disseminate information on Work Group decisions to external organizations.

Summary

The Task Force created by Decree 465 to reform Ukraine's communal heating sector will be supported by Work Groups composed of designees from [Task Force] member organizations. The current Work Groups will consider specific reform topics identified by the Task Force to develop recommendations in the areas of 1) Regional and State Programs for Rehabilitation of the Heating Sector, 2) Energy Efficiency Improvements in Residential and Administrative Buildings, and 3) State Regulation for Public Utility Services. Work Group outputs will first be reviewed and approved by the full Work Group, and then forwarded to the Task Force Head for final review and consideration before submittal to the Cabinet of Ministers.

³ Scheduled meetings to be held the first Thursday of every month, with additional meetings scheduled, as necessary, through the Secretariat. The Secretariat shall be notified of the date and agenda for an unscheduled meeting no less than 10 working days notice in advance of the meeting date.

Attachment A

Structure and Membership of the National Municipal Heating Strategy Task Force

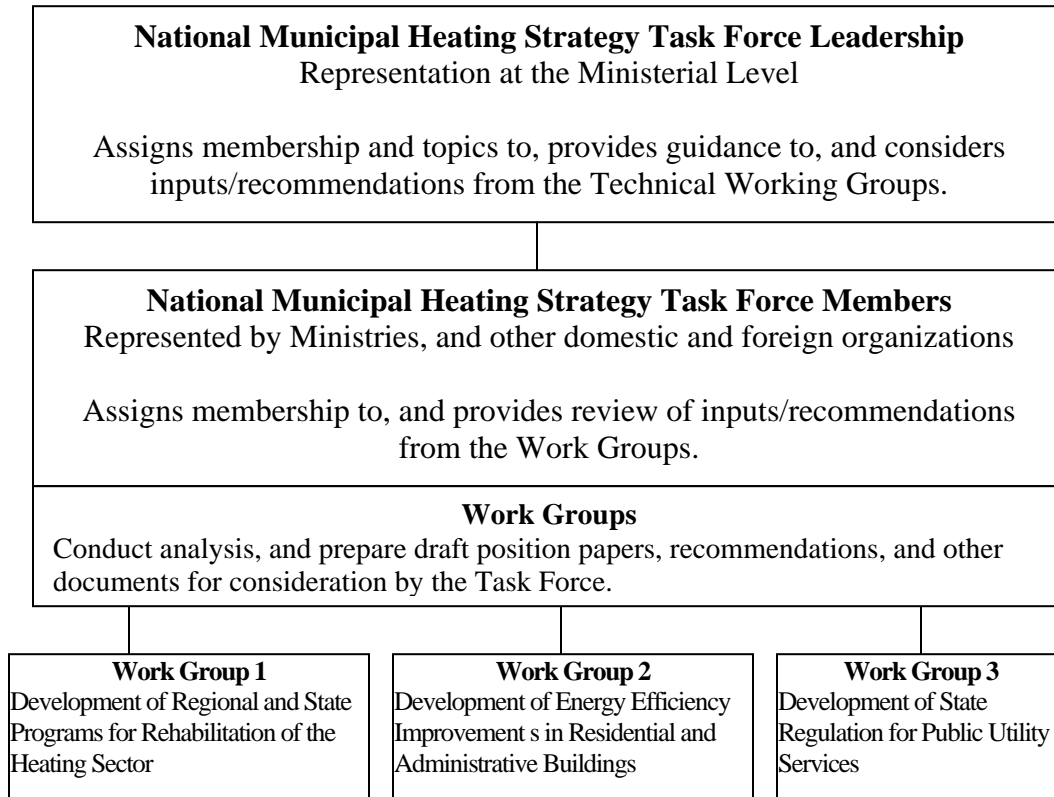


Table A.1 National Municipal Heating Strategy Task Force Leadership

Head of the Interagency Task Force	Mr. Vitaliy Haiduk Head of Advisory Group to the Prime Minister
First Deputy Head of the Interagency Task Force	Ministry of Housing and Communal Services
Deputy Head of the Interagency Task Force	Ministry of Fuel and Energy
Secretary of the Interagency Task Force	Ministry of Housing and Communal Services

Table A.2 National Municipal Heating Strategy Task Force Organizational Members and Work Group Assignments

Task Force Organizational Members	Work Group Assignments		
	1	2	3
Cabinet of Ministers			
Ministry of Economy	x		
Ministry of Finance	x		
Ministry of Fuel and Energy	x	x	x
Ministry of Housing and Communal Services	x	x	x
Ministry of Justice	x		x
Ministry of Labor and Social Policy	x		x
Ministry of Regional Development and Construction	x	x	x
National Agency for Energy Efficiency (NAER)	x	x	x
National Electricity Regulatory Commission	x		x
State Agency of Ukraine for Investments and Innovations	x	x	
State Committee for Technical Regulation and Consumer Policy	x		
State Committee for Industrial Safety, Labor Protection and Mining Supervision			
Anti-monopoly Committee	x		x
National Academy of Sciences of Ukraine		x	
Academic Institutions		x	x
Foreign donors			
EBRD (European Bank for Reconstruction and Development)			
NEFCO (Nordic Environment Finance Corporation)			
World Bank			
European Commission in Ukraine			
US Agency for International Development			
Private Enterprise Experts (advisory / non-voting)			
Foreign Experts (advisory / non-voting)			

Note: x's denote mandatory membership and attendance by a designee(s) of the organization.

Voluntary attendance by other organizations is at their option.

Attachment B

Topics for Work Group Consideration

The following topics are drawn from a number of domestic and foreign sources for consideration by the Work Groups as they fulfill their assigned responsibilities. While the topics are reasonably comprehensive, they are not meant to be all-inclusive.

An over-arching issue is the role and responsibilities at the national, regional, and local levels for each of these topics. This is important for the development and implementation of a rational policy/program.

Tariffs and Metering

- Improve the legal and regulatory base in the sector through development of a regulatory methodology, regulatory authority, and an independent national tariff regulator to ensure the financial stability of the district heating sector
- Strengthen collection systems to ensure good payment discipline.
- Develop incentive-type tariff regulations to encourage improved efficiency and service.
- Develop feasible plans to switch all residential buildings and other district heating consumers to metered heat consumption.

Social Welfare Support

- Adapt the current system of social welfare support to provide for poor families to ensure adequate living standards when tariffs rise.

Balanced Market

- Ensure that market conditions provide a level playing field for district heating and competing forms of heating so that the economically optimal options prevail.
- Review tariffs for other fuel types to reduce and eliminate implicit subsidies or cross subsidies that can distort the market.

Energy Efficiency in Buildings and District Heating Systems

- Provide for energy use/billing to be based upon metering and actual consumption
- Provide information and technical support to facilitate the development of energy saving behavior and the implementation of energy saving measures at the housing unit level.
- Develop policies that create incentives to reduce district heating losses and improve efficiency in the production, delivery, and use of heat

Municipal Capacity and Creditworthiness

- Increase the capacity of municipalities to plan and manage the development of heat systems
- Improve municipal ability to borrow/invest

Investment and Municipal Creditworthiness

- Improve the credit worthiness through guarantees, diversification, and/or other support mechanisms.
- Enable alternate financial structures and mechanisms for the provision of investment.
- Increase private investment in communal services
- Mobilize financing and investment to modernize systems and improve energy efficiency

Other

- Enhance data systems to provide a better understanding of district heating demand, demand forecasting, and energy flows.
- Ensure that current policies effectively promote combined heat and power.
- Assess forms of ownership that can most effectively achieve the government's goals for the development of the district heating sector